

Message Text

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ACTION NEA-16

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TAGS: EAID, PK

SUBJ: STATUS REPORT ON BARLEY EXPORTS PL-480 COMPLIANCE

REF: STATE 142814

SUMMARY: GOP IS CONSIDERING CHOICE OF TWO ALTERNATIVES PRESENTED IN OUR JULY 9 LETTER TO EAD SECRETARY THAT REPORTED USG DECISION EITHER TO REDUCE PL-480 SORGHUM FINANCING TO REFLECT POST-NOV. 2 BARLEY SHIPMENTS OR TO CANCEL TITLE I SALE AND PAY DOLS. FOR TOTAL SORGHUM PURCHASED. AGATT HAS WRITTEN TO EAD JOINT SECRETARY CALLING ATTENTION TO LIKELIHOOD THAT BARLEY SHIPMENTS MAY HAVE REACHED 35,000 TONS AND THAT EXPORTERS HAVE STOCKS BARLEY OF ABOUT 81,000 TONS AVAILABLE FOR EXPORT WERE FEED GRAIN EXPORT BAN LIFTED. MISSION REQUESTS WASHINGTON ADVICE ON FORMULA TO CALCULATE REDUCTION TITLE I FINANCING. END SUMMARY.

1. UPON RECEIPT OF REFTEL LETTER WAS PREPARED AND SENT JULY 9 TO EAD SECRETARY AFTAB AHMAD KHAN STATING DECISION HAD BEEN REACHED BY USG THAT PAKISTAN SHOULD PAY DOLLARS TO USG EQUAL TO VALUE OF BARLEY SHIPMENTS MADE AFTER 2 NOV. LETTER ALSO OFFERED GOP ALTERNATIVE TO CANCEL TITLE I SORGHUM SALES AGREEMENT AND PAY CASH

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FOR TOTAL 40,000 MT SORGHUM.

2. NO FORMAL RESPONSE HAS BEEN RECEIVED BUT EAD SECRETARY HAS TOLD US INFORMALLY GOP IS THINKING OF RETAINING AGREEMENT AND HONORING OUR DEMAND FOR REDUCING TITLE I FINANCING BY AMOUNT EQUAL TO VOLUME OR VALUE OF BARLEY EXPORTS WITH BARLEY BAN CONTINUING UNTIL SORGHUM UTILIZED. HE SAID GOP IS AWARE USG HAD DIVERTED SORGHUM FROM OTHER PRESSING RELIEF NEEDS TO PAKISTAN FOR HUMAN FEEDING AS PART OF FLOOD REHAB EFFORT AND GOP HAD ACCEPTED SORGHUM ON THAT BASIS. ALSO THERE IS GOP CONCERN THAT RELEASING BARLEY FOR EXPORT MIGHT CONTRIBUTE TO HIGHER FREE MARKET PRICES FOR WHEAT.

3. SUBSEQUENT DISCUSSIONS HAVE TAKEN PLACE BETWEEN AGATT AND M.I.K. KHALIL EAD JOINT SECRETARY ON LIKELY DIMENSIONS OF POST-NOV. 2 BARLEY EXPORTS. INSTEAD OF ABOUT 9,000 TONS LISTED AT ONE TIME BY EAD, AGATT IS REASONABLE CERTAIN THAT AROUND 35,000 TONS WAS SHIPPED AT AN APPROXIMATE FOB VALUE OF DOLS.120 PER TON. DETAILED INFORMATION ON THE SHIPMENTS AS BEST WE KNOW THEM WAS GIVEN TO KHALIL IN A LETTER DATED JULY 30 ALONG WITH DATA ON STOCKS OF BARLEY (ABOUT 81,000 TONS WORTH AROUND DOLS.9.7 MILLION) NOW WITH EXPORTERS THAT COULD BE SHIPPED WERE BAN LIFTED FOLLOWING CANCELLATION OF TITLE I AGREEMENT. (WE ARE KEEPING IN CLOSE TOUCH WITH KHALIL ON THIS).

4. IN ANTICIPATION GOP QUESTIONS, MISSION WOULD APPRECIATE TECHNICAL ADVICE ON REDUCTION TITLE I FINANCING SHOULD GOP PREFER THAT ALTERNATIVE. IF AGREEMENT IS REACHED ON 35,000 TONS OF POST-NOV. 2 BARLEY EXPORTS, SETTLEMENT ON VALUE BASIS PRESUMABLY WOULD BE BASED ON THEIR FOB KARACHI VALUE IGME. ABOUT DOLS.120 PER TON. IF ON VOLUME BASIS PRESUME TITLE I FINANCING WOULD BE REDUCED ON BASIS OF FOB VALUE OF SORGHUM WHICH WAS DOLS. 107.70. PLEASE ADVISE ON THIS AND HOW EITHER VALUE OF VOLUME FORMULA WOULD BE AFFECTED BY FIVE PERCENT CASH PAYMENT ALREADY MADE AND BY OCEAN FREIGHT DIFFERENTIAL FINANCED BY USG FOR US VESSEL. ABOVE IS NEEDED FOR LIKELY FURTHER NEGOTIATIONS WITH UNDERSTANDING THAT FINAL DOLLAR FIGURE FOR TITLE I FINANCING REDUCTION WOULD BE DETERMINED BY USDA AFTER AGREEMENT REACHED HERE ON BARLEY SHIPMENT QUANTITY.

5. COPIES OF CORRESPONDENCE MENTIONED PARAS 1 AND 3 ABOVE AIR POUCHED BY AGATT TO SHEGOGUE OF USDA JULY 31.
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